

For Immediate Release
June 10, 2002

Contact: Bill Luecht
(202) 622-8042
Betsy Holahan
(202) 622-1997

Treasury Announces First Round of Competition for New Markets Tax Credit Program

Treasury Secretary Paul O'Neill today announced the first competitive round for the allocation of tax credits under the New Markets Tax Credit (NMTC) program.

"The NMTC program is designed to stimulate private sector investment in the economic development of low-income communities - and we hope to see a real difference in the lives of the people in these communities," said O'Neill. "President Bush's vision of a more prosperous America for all of its citizens can only be achieved through results-oriented programs."

The NMTC program, established by Congress in December 2000, permits taxpayers to receive a credit against Federal income taxes for making Qualified Equity Investments in designated Community Development Entities (CDEs). Substantially all of the taxpayer's investment must in turn be used by the CDE to make qualified investments in low-income communities. The credit to the taxpayer totals 39% of the investment and is claimed over a seven-year credit period.

NMTCs will be allocated annually by the Treasury Department's Community Development Financial Institutions (CDFI) Fund to CDEs under a competitive application process. With the publication of this first Notice of Allocation Availability in the Federal Register on June 11, the CDFI Fund invites CDEs, and those entities seeking CDE designation, to submit an application to compete for tax credit allocations. The application deadline is August 29, 2002.

During the first round, allocations of up to an aggregate total of \$2.5 billion in qualified equity investments in CDEs will be made. This \$2.5 billion in allocations represents the combined allocations for 2001 and 2002, as the legislation permits. The remaining allocations will be made available as follows: \$1.5 billion in 2003; \$2 billion in each of 2004 and 2005; and \$3.5 billion in each of 2006 and 2007.

"The NMTC Program has the potential to make a significant impact in the targeted areas because of the wide variety of investments that can be made," said Tony T. Brown, Director of the CDFI Fund. "This program will catalyze new economic activity - ranging from loans to small businesses to the development of grocery stores, from charter schools to manufacturing plants. This flexible tool will enable urban and rural areas alike to attract private capital to expand their community development efforts."

Additional information can be found on the CDFI Fund's web site, www.cdfifund.gov.

